

FirstGroup to sell off UK bus operations

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by GWYN TOPHAM • MAY 23, 2012



Chief executive Tim O'Toole said there had also been 'explosive growth' in Greyhound Express, their revamped intercity coach service in the US. But the UK bus division is not faring so well. Photograph: Linda Ny Lind for the Guardian

FirstGroup is to sell off more of its struggling UK bus operations as public spending cuts and rising fuel costs hit profits.

The Scotland-based transport group recorded pre-tax operating profits of £271.4m in the year to 31 March, a fall of 1% on the previous 12 months, boosted mainly by strong performances in the US from its school bus division.

Chief executive Tim O'Toole said there had also been "explosive growth" in Greyhound Express, their revamped intercity coach service in the US, which he said would be "a long-term trend and an opportunity".

O'Toole said the UK bus division — which operates in cities including Glasgow, Manchester and London — was the only part of the group not to have delivered according to plan, with operating profit falling nearly 10% to £134.4m. "We were surprised in January by our very poor yield after higher fares. We'll be selling certain operations — based on the depots we've sold this year we think

there's appetite for this."

First Group's bus division had been hit to the tune of £50m by government cutbacks and higher fuel costs, he said. However, he was optimistic about its future. "I think we'll get back to a growing bus market. We're encouraged that the transport minister [Norman Baker] really seems to get it and is backing the bus market, because it's easier for them to cut subsidies and chip away at buses than big ticket items."

FirstGroup has around 8,000 buses operating in 40 towns and cities across the UK, carrying 2.5 million passengers every day.

The group's shares tumbled by a third in March after a profits warning.

FirstGroup pointed out it was the only transport operator to have pre-qualified for all four of the railway franchises currently on offer, including the prestigious west coast franchise and the great western route. O'Toole was also upbeat about the Olympics, for which FirstGroup claims to be "the main provider of spectator transport", or at least those services chartered by the Olympic Delivery Authority. "It will be a great time for the tube and for us as well as we run hundreds of buses, a chance to get these new buses and cascade them through the network."

Analysts however sounded a note of caution. Douglas McNeill of Charles Stanley said: "Management is upbeat on prospects – but that was the case before the March profit warning, so the proof of the pudding will be in the eating."

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